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FISCAL IMPACT STATEMENT

LS 7015

BILL NUMBER: HB 1359

NOTE PREPARED: Feb 27, 2008

BILL AMENDED: Feb 21, 2008

SUBJECT: Various Financial Institutions Matters.

FIRST AUTHOR: Rep. Bardon

FIRST SPONSOR: Sen. Paul

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: The bill makes various changes to the laws concerning: (1) financial institutions; and (2) persons licensed under the Uniform Consumer Credit Code. The bill repeals certain provisions concerning the regulation of money transmitters.

Effective Date: July 1, 2008.

Explanation of State Expenditures: *Summary-* Several provisions within the bill would result in an increase in the administrative workload of the Department of Financial Institutions (DFI). The DFI would be able to carry out these provisions within their existing level of resources.

Criminal Background Checks- Additional national criminal background checks could require an increase in administrative time for the Indiana State Police Department (SPD) to complete. The impact to SPD time and expenditures would depend on the number of additional background checks ordered by the Director of the DFI.

Limited Liability Corporations- The bill would give the DFI exclusive authority to regulate a financial institution organized as a limited liability company. An LLC financial institution would be subject to the same provisions in current law that apply to banks, except for the corporate governance provisions.

(Revised) Approval of Custodians: The bill may reduce costs for the DFI by removing the requirement for the DFI to approve banks or trust companies to act in fiduciary capacity and manage custodial accounts for both the Public Employees' Retirement Fund (PERF) and the State Teachers' Retirement Fund (TRF). The approval of the bank or trust company is given by the PERF or TRF board under the bill.

Background- As of July 2, 2007, the DFI had four vacancies with \$205,000 in salary. The DFI reverted \$133,127 from their operating account at the end of FY 2007. The DFI's dedicated fund appropriation for FY 2008 is \$8.5 M.

Regarding approval of custodians, under current law, the DFI must issue a written determination that a bank or trust company organized under any state's law or federal law is operated in a safe and sound condition and that the management is experienced and competent. DFI does not have authority to audit national banks.

Explanation of State Revenues: *Criminal Background Checks-* Persons required by the Director of DFI to submit fingerprints for a national criminal background check would be required to pay all the costs involved for the check.

Civil Penalties- The bill removes a civil penalty remedy on licensed and unlicensed individuals involved with small loans. The maximum penalty that is currently allowed is \$2,000. It is unknown how many civil penalties under this statute (IC 24-4.5-7-409) have been assessed by the DFI. The bill would allow the DFI the option to assess a civil penalty of not more than \$10,000 on pawnbrokers that violate pawnbroker statute.

Delinquent Fees- The bill would give the DFI greater flexibility to impose fees on delinquent payment of fees from financial institutions for license renewal. The DFI would also be able to align delinquent report fees from pawnbrokers with other fees which are set by the DFI annually as allowed under current law.

Payment of Fees and Penalties by Credit Card- The bill would allow the DFI to collect payment of fees and penalties by credit card. This provision could speed up the collection of payments from regulated entities. The DFI would be allowed to pass on any transactions costs to paying entities. The uniform fees associated with credit card transactions would be determined by the DFI.

Limited Liability Corporations- LLC banks placed under DFI regulation would be subject to the payment of all expenses and fees required by the DFI to fulfill their statutory requirements to regulate banks. Fees would include application processing and examinations of as applicable to banks.

Background on Criminal Background Checks- A national criminal history background check costs a total of \$39, \$24 of which is given to the federal government. The remaining \$15 is deposited into the state General Fund. Last year, the SPD processed approximately 615,000 limited criminal background checks.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DFI, SPD.

Local Agencies Affected: School corporations.

Information Sources: State of Indiana, *List of Appropriations July 1, 2007, - June 30, 2009*; Indiana State Budget Agency Closeout documents; Captain Sherry Beck, SPD.

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